



DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
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JUL 30 1997

IN REPLY
REFER TO

AQOD

**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT
MANAGEMENT DISTRICTS**

**SUBJECT: DCMC Memorandum No. 97-75, Disposition of Deficiencies found in
Contractors' Cost Estimating Systems (POLICY)**

This is a POLICY memorandum. It expires one year from the date issued, unless sooner superseded or rescinded. Target audience: Members of Management Councils, Heads of all DCMC Offices, DCMC District Contractor Cost Estimating System Review points of contact, and all DCMC Administrative Contracting Officers (ACOs).

Defense Contract Audit Agency reports resulting from reviews of contractors' cost estimating systems, are subject to the requirements found in DoD Directive 7640.2, Policy for Follow-up on Contract Audit Reports, issued February 12, 1988. The directive requires that deficiencies in contractors' cost estimating systems be dispositioned within 12 months after the deficiency is reported. It is important that we recognize that time constraint, and take all actions possible with contractors to get estimating system deficiencies corrected within the 12 month period.

In the General Accounting Office's (GAO's) February 1997 "High-Risk Series" report on Defense Contract Management, GAO noted that effective cost estimating systems are key to sound contract prices, and contract overpricing remains an area that must continually be watched. Particularly important is the need to ensure that contractors' cost-estimating systems are sound and that estimating deficiencies are quickly corrected.

ACOs must always be fully engaged in efforts to have contractors correct deficiencies in their cost estimating systems. If no progress is being made, ACOs must raise the issue up their management chain of command. Any deficiencies remaining open past 12 months shall be referred to the local Management Council. The Management Council will assist the ACO in resolving the deficiencies.

The maintenance of a sound cost estimating system is required by DFARS Clause 252.215-7002 and the ACO is responsible for enforcement of this requirement (see FAR 15.811 and DFARS 215.811-70).

If you have any questions regarding this memorandum, please contact Ms. Faye Turner, Contractor Capability and Proposal Analysis Team (AQOD). Ms. Turner can be reached at (703) 767-3434, DSN 427-3434, or via the internet: faye_turner@hq.dla.mil.

A handwritten signature in black ink, appearing to read "Robert W. Drewes", with a stylized, flowing script.

ROBERT W. DREWES
Major General, USAF
Commander